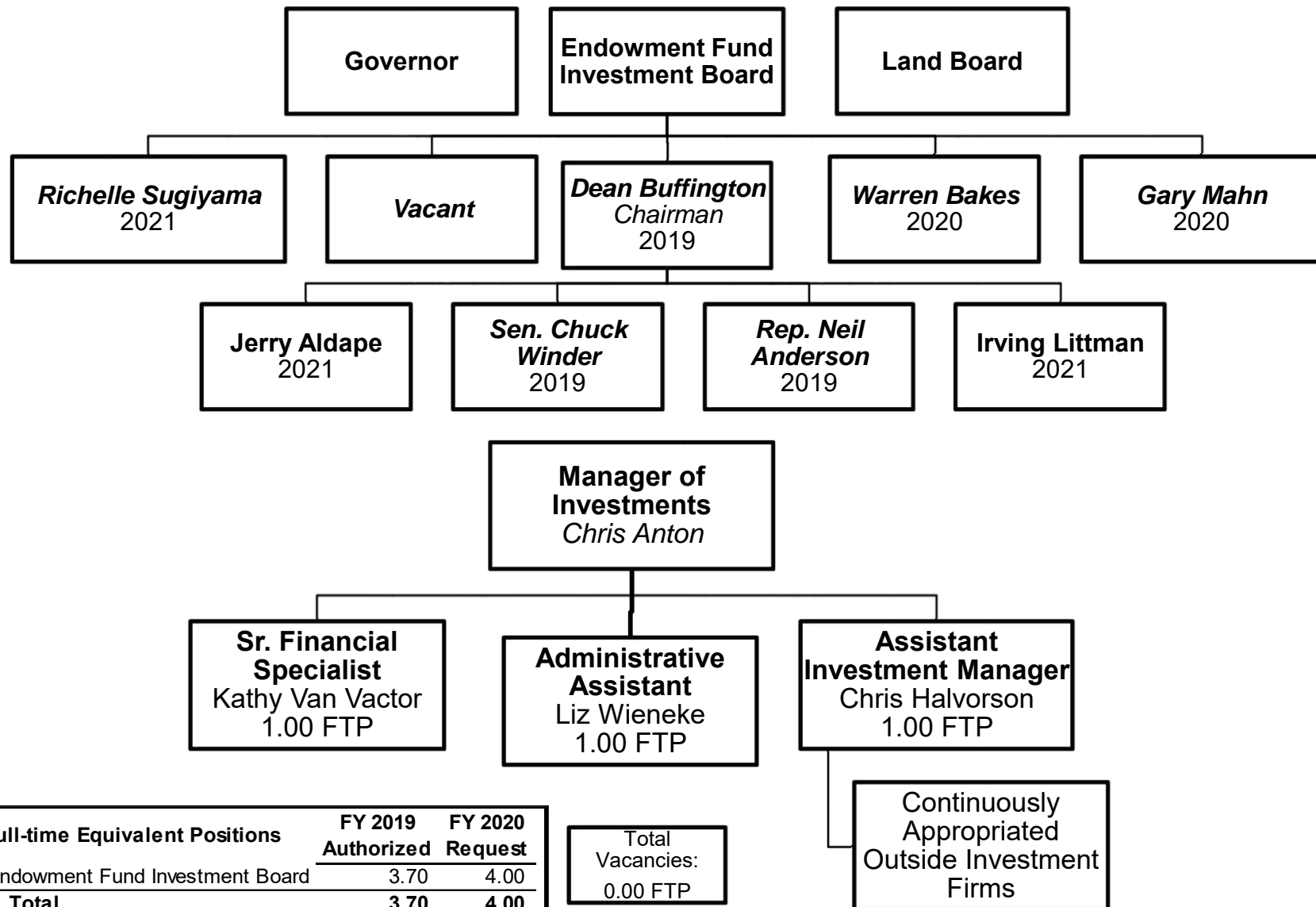


# Endowment Fund Investment Board Organizational Chart

Analyst: Sepich



# Investment Board, Endowment Fund

Analyst: Sepich

## FY 2018 Actual Expenditures by Division

			FTP	PC	OE	CO	T/B	LS	Total
<b>0.30</b>	<b>FY 2018 Original Appropriation</b>								
0349-00	Ded		0.85	68,100	13,600	600	0	0	82,300
0482-70	Ded		2.85	490,100	180,100	1,100	0	0	671,300
<b>Totals:</b>			3.70	558,200	193,700	1,700	0	0	753,600
<b>1.00</b>	<b>FY 2018 Total Appropriation</b>								
0349-00	Ded		0.85	68,100	13,600	600	0	0	82,300
0482-70	Ded		2.85	490,100	180,100	1,100	0	0	671,300
<b>Totals:</b>			3.70	558,200	193,700	1,700	0	0	753,600
<b>1.61</b>	<b>Reverted Appropriation</b>								
0349-00	Ded		0.00	(3,700)	(9,400)	(400)	0	0	(13,500)
0482-70	Ded		0.00	(23,000)	(31,300)	0	0	0	(54,300)
<b>Totals:</b>			0.00	(26,700)	(40,700)	(400)	0	0	(67,800)
<b>2.00</b>	<b>FY 2018 Actual Expenditures</b>								
0349-00	Ded		0.85	64,400	4,200	200	0	0	68,800
	Miscellaneous Revenue			64,400	4,200	200	0	0	68,800
0482-70	Ded		2.85	467,100	148,800	1,100	0	0	617,000
	Endowment Earnings Administrative			467,100	148,800	1,100	0	0	617,000
<b>Totals:</b>			3.70	531,500	153,000	1,300	0	0	685,800
<b>Difference: Actual Expenditures minus Total Appropriation</b>									
0349-00	Ded			(3,700)	(9,400)	(400)	0	0	(13,500)
	Miscellaneous Revenue			(5.4%)	(69.1%)	(66.7%)	N/A	N/A	(16.4%)
0482-70	Ded			(23,000)	(31,300)	0	0	0	(54,300)
	Endowment Earnings Administrative			(4.7%)	(17.4%)	0.0%	N/A	N/A	(8.1%)
<b>Difference From Total Approp</b>				<b>(26,700)</b>	<b>(40,700)</b>	<b>(400)</b>	<b>0</b>	<b>0</b>	<b>(67,800)</b>
<b>Percent Diff From Total Approp</b>				<b>(4.8%)</b>	<b>(21.0%)</b>	<b>(23.5%)</b>	<b>N/A</b>	<b>N/A</b>	<b>(9.0%)</b>

## Endowment Fund Investment Board

### FY 2019 JFAC Action

	FTP	Gen	Ded	Fed	Total
<b>FY 2018 Original Appropriation</b>	<b>3.70</b>	<b>0</b>	<b>753,600</b>	<b>0</b>	<b>753,600</b>
<b>FY 2018 Total Appropriation</b>	<b>3.70</b>	<b>0</b>	<b>753,600</b>	<b>0</b>	<b>753,600</b>
<b>FY 2018 Estimated Expenditures</b>	<b>3.70</b>	<b>0</b>	<b>753,600</b>	<b>0</b>	<b>753,600</b>
Removal of Onetime Expenditures	0.00	0	(38,500)	0	(38,500)
<b>FY 2019 Base</b>	<b>3.70</b>	<b>0</b>	<b>715,100</b>	<b>0</b>	<b>715,100</b>
Benefit Costs	0.00	0	(5,100)	0	(5,100)
Replacement Items	0.00	0	2,000	0	2,000
Statewide Cost Allocation	0.00	0	(3,700)	0	(3,700)
Change in Employee Compensation	0.00	0	14,400	0	14,400
<b>FY 2019 Program Maintenance</b>	<b>3.70</b>	<b>0</b>	<b>722,700</b>	<b>0</b>	<b>722,700</b>
<b>FY 2019 Total</b>	<b>3.70</b>	<b>0</b>	<b>722,700</b>	<b>0</b>	<b>722,700</b>
Chg from FY 2018 Orig Approp.	0.00	0	(30,900)	0	(30,900)
% Chg from FY 2018 Orig Approp.	0.0%		(4.1%)		(4.1%)

# Endowment Fund Investment Board

Analyst: Sepich

## Historical Summary

<b>OPERATING BUDGET</b>	<b>FY 2018 Total App</b>	<b>FY 2018 Actual</b>	<b>FY 2019 Approp</b>	<b>FY 2020 Request</b>	<b>FY 2020 Gov Rec</b>
<b>BY FUND CATEGORY</b>					
Dedicated	753,600	685,800	722,700	715,900	743,100
Percent Change:		(9.0%)	5.4%	(0.9%)	2.8%
<b>BY OBJECT OF EXPENDITURE</b>					
Personnel Costs	558,200	531,500	530,700	522,500	544,600
Operating Expenditures	193,700	153,000	190,000	191,400	196,500
Capital Outlay	1,700	1,300	2,000	2,000	2,000
<b>Total:</b>	<b>753,600</b>	<b>685,800</b>	<b>722,700</b>	<b>715,900</b>	<b>743,100</b>
Full-Time Positions (FTP)	3.70	3.70	3.70	4.00	4.00

## Division Description

The Endowment Fund Investment Board (EFIB) is responsible for managing the investments of the land grant endowment funds (Section 57-721, Idaho Code), the State Insurance Fund (Section 72-912, Idaho Code), and other moneys as required by law (Section 57-720, Idaho Code). Other moneys as required by law include Ritter Island and Trail of the Coeur d'Alenes for the Idaho Department of Parks and Recreation, investments for the Kellogg institutional controls program for the Idaho Department of Environmental Quality, and two wildlife habitat endowments for the Idaho Department of Fish and Game.

The State Legislature created the Endowment Fund Investment Board in 1969 (Section 57-718, Idaho Code), after the passage of a constitutional amendment in 1968. Before that, the State Treasurer had been responsible for the management of the state's land grant endowment funds. The Department of Finance took over investment responsibilities for two years until the EFIB's first manager was hired and the office opened July 1, 1971.

The 1998 Legislature approved four pieces of legislation (HJM9, HJR6, HJR8, and H643aa) that began the latest round of endowment reform. 1) HJM9 requested that Congress allow proceeds from the sale of public school endowment lands to be deposited into a land bank to be used to purchase other lands. Congress later approved the memorial. 2) HJR6 proposed amendments to the state constitution to change the word "disposal" to "sale" and to allow a land bank. Voters approved the constitutional amendment but the Supreme Court later invalidated the amendment, ruling that the amendment contained two questions and was not put properly before the people. The land board resubmitted the constitutional amendment regarding the land bank as HJR1 in 2000 and the electorate approved the amendment that fall. 3) HJR8 proposed amendments to the state constitution to allow the permanent fund to be invested rather than loaned, to create an earnings reserve, and to allow for payment of administrative costs from the earnings reserve. Voters approved that constitutional amendment in 1998. 4) H643aa of 1998 set up the distribution mechanisms necessary for the permanent funds, the earnings reserve and the income funds. The bill moved the Endowment Fund Investment Board from the Governor's Office to the Land Board effective July 1, 2000. Therefore, actual expenditures before FY 2001 are shown in the Executive Office of the Governor. The legislation also set up a land bank, and changed the makeup of the board. The makeup of the nine-member board changed to remove the Superintendent of Public Instruction and the Director of the Department of Finance, and replaced them with two "public members from the citizenry at large who are knowledgeable and experienced in financial matters and the placement or management of investment assets" (Section 57-718, Idaho Code). S1107 of 1999 changed the effective date of certain sections of H643aa to allow investment in equities (stock) effective February 15, 1999.

H690aa of 1998 established the Capitol Commission and the Capitol Endowment from the former Public Building Endowment effective on July 1, 1998. H643aa was to become effective July 1, 2000 creating a potential conflict with H690aa. However, during the 2000 session, the Legislature resolved that conflict by repealing the Public Building Endowment. H181 of 2013 established a Capitol Maintenance Reserve Fund for the Capitol Commission. Starting in FY 2014, most of the distribution from the Capitol Permanent Endowment Fund began flowing to the maintenance reserve instead of the Capitol Commission's operating fund.

# Endowment Fund Investment Board

## Agency Profile

Analyst: Sepich

### Profile of Key Services Provided

Millions of dollars	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
End of Year Market Values of Funds Under Management (\$ Millions)						
1. Public School Permanent Endowment	\$792.9	\$922.4	\$954.0	\$847.4	\$911.6	\$1,026.5
2. Public School Earnings Reserve Fund	122.0	163.8	183.6	282.6	343.7	326.7
3. Other Land Grant Permanent Funds	392.2	477.4	500.9	538.6	554.8	605.9
4. Other Land Grant Earnings Reserves	127.6	181.2	204.2	161.8	226.0	242.5
5. Subtotal Land Grant Endowments	\$1,434.8	\$1,744.8	\$1,842.7	\$1,830.4	\$2,036.1	\$2,201.6
6. Capitol Permanent Endowment	25.9	in line 3	in line 3	in line 3	in line 3	in line 3
7. State Insurance Fund	594.4	630.2	621.5	669.9	729.3	761.2
8. Judges' Retirement (to PERSI in 2015)	66.4	75.1	0.0	0.0	0.0	0.0
9. Other Investments * IDPR, DEQ, IDFG	3.4	3.7	74.8	77.1	86.7	95.2
10. Total Funds under Management	\$2,125.0	\$2,453.7	\$2,539.1	\$2,577.4	\$2,852.0	\$3,057.9
*IDPR Ritter Island \$1.4 M; IDPR Trail of the Coeur d'Alenes \$3.0 M; DEQ Bunker Hill Water Treatment \$66.5 M; IDFG Wildlife Stewardship \$20.0 M; IDFG Trust \$3.9 M						
Combined Permanent and Earnings Reserve Funds (\$ Millions)						
11. Beginning Value July 1	\$1,258.3	\$1,434.8	\$1,744.8	\$1,842.7	\$1,830.4	\$2,036.1
12. Lands Contributions- Permanent Fund	2.43	28.28	49.14	2.08	1.95	2.55
13. Lands Contributions- Earnings Reserve	74.42	87.87	83.09	78.18	70.67	73.49
14. Income (Loss) from Investments	179.31	273.75	53.17	(2.84)	233.81	200.01
15. Lands Expenses	(26.00)	(23.72)	(27.69)	(25.33)	(29.24)	(27.65)
16. EFIB Expenses	(6.17)	(7.27)	(7.65)	(7.59)	(7.83)	(9.13)
17. Capitol Endowment Distributions	0.00	(.05)	(.10)	(.40)	(.50)	(.40)
18. Distributions to Beneficiaries	(47.51)	(48.84)	(51.98)	(56.47)	(63.16)	(73.48)
19. Ending Combined Perm and ER Funds	\$1,434.8	\$1,744.8	\$1,842.7	\$1,830.4	\$2,036.1	\$2,201.5
20. Gross Investment Return Before Fees	14.4%	18.8%	3.0%	(0.2%)	12.8%	9.8%
21. Expenses to year-end net assets	0.43%	0.42%	0.44%	0.43%	0.42%	0.38%
					FY 2019	FY 2020
Distributions to Beneficiaries (\$ Millions)	FY 2015	FY 2016	FY 2017	FY 2018	Estimate	Estimate
22. Public Schools	\$31.2924	\$32.7588	\$36.7248	\$47.0496	\$50.3256	\$51.2600
23. Agricultural College	1.1640	1.2888	1.3476	1.3476	1.4472	1.4660
24. Charitable Institutions	3.8520	4.5000	5.5440	5.5440	5.7540	5.7540
25. Idaho State University 4/15	1.0272	1.2000	1.4784	1.4784	1.5344	1.5344
26. Juvenile Corrections Center 4/15	1.0272	1.2000	1.4784	1.4784	1.5344	1.5344
27. State Hospital North 4/15	1.0272	1.2000	1.4784	1.4784	1.5344	1.5344
28. Veterans Home 5/30	.6420	.7500	.9240	.9240	.9590	.9590
29. School for the Deaf and Blind 1/30	.1284	.1500	.1848	.1848	.1918	.1918
30. Normal School	3.1440	3.6084	4.2624	4.2624	4.4100	4.9460
31. ISU College of Education 1/2	1.5720	1.8042	2.1312	2.1312	2.2050	2.4730
32. Lewis-Clark State College 1/2	1.5720	1.8042	2.1312	2.1312	2.2050	2.4730
33. Penitentiary	1.7076	1.8720	1.9656	1.9656	2.1936	2.2470
34. School of Science	3.8664	3.8664	4.7088	4.7088	4.8264	4.9300
35. SHS Mental Hospital	3.6254	4.5624	4.5624	4.5624	5.0244	5.9550
36. University of Idaho	3.3264	4.0164	4.0428	4.0428	4.2252	4.3600
37. Land Grant Beneficiary Distributions	\$51.9782	\$56.4732	\$63.1584	\$73.4832	\$78.2064	\$80.9180
38. Percent Change in Distributions	6.4%	8.6%	11.8%	16.3%	6.4%	3.5%

Except for the Capitol Endowment, the distribution rule for each land grant endowment is based on a percentage of the lower of the three-year moving average of the permanent fund or the amount held in the Earnings Reserve divided by the number of target reserve years. The Land Board approved FY 2020 Public School Distribution is based on 2016 and 2017 deferred gains.

# Endowment Fund Investment Board

Analyst: Sepich

## Comparative Summary

Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
<b>FY 2019 Original Appropriation</b>	<b>3.70</b>	<b>0</b>	<b>722,700</b>	<b>3.70</b>	<b>0</b>	<b>722,700</b>
Noncognizable Funds and Transfers	0.30	0	0	0.30	0	0
<b>FY 2019 Estimated Expenditures</b>	<b>4.00</b>	<b>0</b>	<b>722,700</b>	<b>4.00</b>	<b>0</b>	<b>722,700</b>
Removal of Onetime Expenditures	0.00	0	(2,000)	0.00	0	(2,000)
Base Adjustments	0.00	0	(15,200)	0.00	0	0
<b>FY 2020 Base</b>	<b>4.00</b>	<b>0</b>	<b>705,500</b>	<b>4.00</b>	<b>0</b>	<b>720,700</b>
Benefit Costs	0.00	0	2,100	0.00	0	(600)
Replacement Items	0.00	0	2,000	0.00	0	2,000
Statewide Cost Allocation	0.00	0	1,400	0.00	0	1,400
Change in Employee Compensation	0.00	0	4,900	0.00	0	14,500
<b>FY 2020 Program Maintenance</b>	<b>4.00</b>	<b>0</b>	<b>715,900</b>	<b>4.00</b>	<b>0</b>	<b>738,000</b>
GOV TECH 1. Network Equip Replacement	0.00	0	0	0.00	0	300
GOV TECH 2. Mobile Device Security	0.00	0	0	0.00	0	1,900
GOV TECH 4. Modernization – Admin Billing	0.00	0	0	0.00	0	2,900
Budget Law Exemptions	0.00	0	0	0.00	0	0
<b>FY 2020 Total</b>	<b>4.00</b>	<b>0</b>	<b>715,900</b>	<b>4.00</b>	<b>0</b>	<b>743,100</b>
Change from Original Appropriation	0.30	0	(6,800)	0.30	0	20,400
% Change from Original Appropriation			(0.9%)			2.8%

# Endowment Fund Investment Board

Analyst: Sepich

Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>FY 2019 Original Appropriation</b>					
	3.70	0	722,700	0	722,700

## Noncognizable Funds and Transfers

The Governor approved an increase of the FTP cap for the Endowment Fund Investment Board by 0.30 FTP to allow the agency to hire a full-time financial specialist. The position had historically been full-time, however in FY 2015 the board decided to change the position from 40 hours per week to 28 hours per week. According to the transmittal letter from the Division of Financial Management, the part-time position was not sufficient to accommodate the responsibilities that have gradually shifted to the financial specialist. Existing ongoing dedicated funds are anticipated to be sufficient to cover salary needs for FY 2019.

Agency Request	0.30	0	0	0	0
Governor's Recommendation	0.30	0	0	0	0

<b>FY 2019 Estimated Expenditures</b>					
Agency Request	4.00	0	722,700	0	722,700
Governor's Recommendation	4.00	0	722,700	0	722,700

## Removal of Onetime Expenditures

This adjustment removes onetime funding that was provided for replacement costs associated with one computer and two chairs.

Agency Request	0.00	0	(2,000)	0	(2,000)
Governor's Recommendation	0.00	0	(2,000)	0	(2,000)

## Base Adjustments

This adjustment decreases dedicated funds appropriation due to a newly hired manager of investments paid at a lower rate than the previous incumbent.

Agency Request	0.00	0	(15,200)	0	(15,200)
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*The Governor recommends the removal of the base reduction so the agency can fully fund the full-time financial specialist position.*

Governor's Recommendation	0.00	0	0	0	0
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<b>FY 2020 Base</b>					
Agency Request	4.00	0	705,500	0	705,500
Governor's Recommendation	4.00	0	720,700	0	720,700

## Benefit Costs

Employer-paid benefit changes include a 5.5% increase for PERSI regular retirement and adjustments to workers' compensation that vary by agency. Agencies were directed to budget \$11,650 per eligible FTP for health insurance, which is the same amount in the current fiscal year.

Agency Request	0.00	0	2,100	0	2,100
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*The Governor recommends \$11,020 per eligible FTP for health insurance, which is a decrease of \$630, or 5.4%, from the previous year; a temporary rate reduction for agencies that pay the Division of Human Resources for its services; and the PERSI Board's decision to increase the employer contribution by 5.5%.*

Governor's Recommendation	0.00	0	(600)	0	(600)
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## Replacement Items

The Endowment Fund Investment Board requests \$2,000 in dedicated funds to purchase one new computer and a new chair.

Agency Request	0.00	0	2,000	0	2,000
Governor's Recommendation	0.00	0	2,000	0	2,000

# Endowment Fund Investment Board

Analyst: Sepich

Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>Statewide Cost Allocation</b>					
This request includes adjustments to recover the cost of services provided by other agencies in accordance with federal and state guidelines on cost allocation. Attorney General fees will increase by \$200, risk management costs will increase by \$300, State Controller fees will increase by \$900, for a net increase of \$1,400.					
Agency Request	0.00	0	1,400	0	1,400
Governor's Recommendation	0.00	0	1,400	0	1,400
<b>Change in Employee Compensation</b>					
For calculation purposes, agencies were directed to include the cost of a 1% salary increase for permanent and temporary employees.					
Agency Request	0.00	0	4,900	0	4,900
<i>The Governor recommends a 3% increase in employee compensation, distributed on merit. He does not recommend a compensation increase for group and temporary positions.</i>					
Governor's Recommendation	0.00	0	14,500	0	14,500
<b>FY 2020 Program Maintenance</b>					
Agency Request	4.00	0	715,900	0	715,900
Governor's Recommendation	4.00	0	738,000	0	738,000
<b>GOV TECH 1. Network Equip Replacement</b>					
Agency Request	0.00	0	0	0	0
<i>The Governor recommends onetime funding for the replacement of the state's core network equipment and this amount reflects this agency's share of that cost.</i>					
Governor's Recommendation	0.00	0	300	0	300
<b>GOV TECH 2. Mobile Device Security</b>					
Agency Request	0.00	0	0	0	0
<i>The Governor recommends onetime funding to provide security of state information that is used on mobile technology.</i>					
Governor's Recommendation	0.00	0	1,900	0	1,900
<b>GOV TECH 4. Modernization – Admin Billing</b>					
Agency Request	0.00	0	0	0	0
<i>The Governor recommends ongoing funding for agency billings from the Office of Information Technology Services.</i>					
Governor's Recommendation	0.00	0	2,900	0	2,900
<b>Budget Law Exemptions</b>					
The Endowment Fund Investment Board requests a continuous appropriation for consulting fees, bank custodial fees, and portfolio-related external costs. The variable costs associated with these services depend on the size of the portfolio and the turnover of investments. This uncertainty makes budgeting difficult. Appropriation bill language allows the Legislature to re-evaluate the need for a continuous appropriation on an annual basis and to consider a fixed appropriation should the costs be determined to be more predictable. Actual costs paid through the continuous appropriation have steadily increased from \$1,327,421 in FY 2001 for the first full-year after endowment reform to \$8,076,400 in FY 2018.					
Language Requested: The Endowment Fund Investment Board is hereby granted continuous appropriation authority for consulting fees, bank custodial fees, and portfolio-related external costs for the period July 1, 2019, through June 30, 2020.					
Agency Request	0.00	0	0	0	0
<i>Recommended by the Governor.</i>					
Governor's Recommendation	0.00	0	0	0	0

# Endowment Fund Investment Board

Analyst: Sepich

Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>FY 2020 Total</b>					
Agency Request	4.00	0	715,900	0	715,900
<i>Governor's Recommendation</i>	<i>4.00</i>	<i>0</i>	<i>743,100</i>	<i>0</i>	<i>743,100</i>
Agency Request					
Change from Original App	0.30	0	(6,800)	0	(6,800)
% Change from Original App	8.1%		(0.9%)		(0.9%)
<i>Governor's Recommendation</i>					
<i>Change from Original App</i>	<i>0.30</i>	<i>0</i>	<i>20,400</i>	<i>0</i>	<i>20,400</i>
<i>% Change from Original App</i>	<i>8.1%</i>		<i>2.8%</i>		<i>2.8%</i>